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# **COSTS and RETURNS**



**Commercial  
Broiler  
Farms  
Maine,  
Delmarva,  
and Georgia**

# 1964

## FARM COSTS STUDIES

This report is part of a continuing nationwide study of costs and returns on commercial farms and ranches by type and size in some of the important farming regions of the United States. The study is conducted under the general supervision of Wylie D. Goodsell, Farm Production Economics Division, Economic Research Service. Objectives, methodology, procedure, and terms are uniform for all areas covered in the study.

The 1964 costs and returns studies have been conducted on the following:

Dairy Farms, Northeast and Midwest  
 Corn Belt Farms  
 Egg-Producing Farms, New Jersey  
 Broiler Farms, Maine, Delmarva, and Georgia  
 Cotton Farms  
 Tobacco Farms, Coastal Plain, North Carolina  
 Tobacco-Livestock Farms, Bluegrass Area, Kentucky  
 Wheat Farms, Plains and Pacific Northwest  
 Western Livestock Ranches

Summary statistics for all types of farms in the study are presented in a report, revised annually. The latest such report was published in 1964 and is titled: "Farm Costs and Returns, Commercial Farms, by Type, Size, and Location," Agriculture Information Bulletin No. 230, Revised 1964.

Information on the studies can be obtained from Farm Production Economics Division, Economic Research Service, U.S. Department of Agriculture, Washington, D.C. 20250.

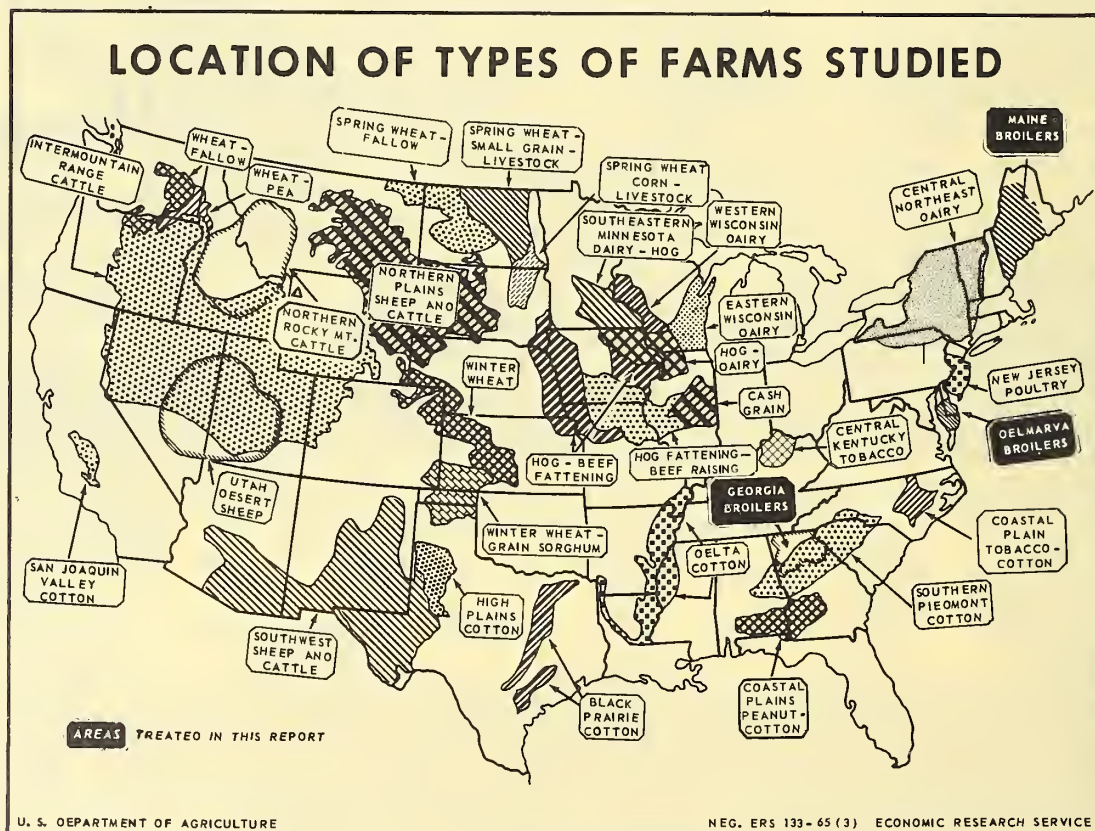


Figure 1



# COSTS AND RETURNS COMMERCIAL BROILER FARMS MAINE, DELMARVA, AND GEORGIA, 1964

Everett O. Stoddard, II, and Lloyd J. Jewett<sup>1</sup>

## SUMMARY

In 1964, net farm income for typical broiler farms ranged from 11 percent below that of the previous year in Georgia to 9 percent above on Delmarva specialized broiler farms. Net farm incomes for broiler farms in Maine and for broiler-crop farms in Delmarva were up slightly from 1963 (fig. 1). Net farm incomes per farm in these important producing areas were as follows:

	<u>1963</u>	<u>1964</u>	<u>Percentage change</u>
Maine. ....	\$3,665	\$3,692	1
Delmarva, broilers. ....	2,241	2,433	9
Delmarva, broiler-crop. . .	5,954	6,022	1
Georgia . . . . .	803	718	-11

Georgia growers received less income than in 1963 because of a decreased contractual payment and lower returns from most other farm enterprises. On Delmarva specialized broiler farms, incomes were higher in 1964 because of increased broiler production and a higher contract payment. Delmarva broiler-crop farms also had a higher contract payment and increased broiler production. But lowered receipts from crops nearly offset these benefits. In Maine, contractual payments were lower than in 1963, while operating expenses increased. But greater production in 1964 helped maintain net farm income slightly above the 1963 level.

Contractual payments per 1,000 birds produced in these three important broiler-producing areas were as follows:

	<u>1963</u>	<u>1964</u>	<u>Percentage change</u>
Maine. ....	\$108	\$104	-4
Delmarva . . . . .	75	77	3
Georgia . . . . .	62	61	-2

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This payment represents the gross per unit income received for buildings, equipment, farm labor, and any supplies furnished by growers in Maine and Delmarva. However, Georgia growers usually furnished brooder fuel and purchased litter--costs which averaged about \$11 per 1,000 birds in both 1963 and 1964. The comparable contractual return in Georgia would have averaged about \$51 per 1,000 birds in 1963 and \$50 in 1964.

In 1964, growers in all three areas expanded their annual production of broilers per farm over a year earlier. Annual production per farm for these growers was as follows:

	Number of broilers produced annually		<u>Percentage change</u>
	<u>1963</u>	<u>1964</u>	
Maine. ....	64,655	67,900	5
Delmarva, broilers. ....	49,893	53,237	7
Delmarva, broiler-crop. .	56,280	59,590	6
Georgia. ....	26,966	28,314	5

A larger average broiler capacity per lot, slightly more lots produced, and decreased mortality losses were responsible for greater production in 1964. Growers in all three areas averaged four lots or more in 1964.

## Maine

In 1964, net farm income for typical contract broiler growers in Maine averaged \$3,692 per farm. This was about the same as a year earlier (table 1). Increased broiler production per farm offset a decreased contractual payment and slightly higher operating expenses.

These growers averaged about 4.2 lots per farm in 1964. They started approximately 16,400 birds (not including extras to offset weak chicks) per lot. Total production averaged 67,900 birds (broilers and roasters) per farm, 5 percent above a year earlier. Contractual returns averaged \$7,062 per farm in 1964 compared with \$6,983 for the previous year.

The contractual payment averaged \$104 per 1,000 birds produced in 1964, down \$4 from a year earlier. The payment is a composite per

unit return for growing both broilers and roasters. The per unit returns from straight broiler lots averaged slightly below the 1963 level because of continued unfavorable price-cost relationships. Most growers in this area are paid on a per-square-foot basis for both broilers and roasters.

Maine broiler contracting firms (poultry processors) market broiler lots at 8-9 weeks of age. They sometimes remove just the pullets and leave cockerels on the farm for another 5 or 6 weeks to be marketed as roasters. This approximately 30 percent of all cockerels. Growers receive 1 cent per square foot per week while growing the roasters, about equal to the regular broiler-growing income on a weekly basis. Consequently, contractual returns for roaster production averaged about 50 percent more per flock than for straight broiler



production with the same housing capacity. Growers sometimes figure their incomes on a per-foot-per-year basis, since they grow both broilers and roasters. This method combines the per unit payment on a weekly basis with the number of weeks that the houses are used. This income averaged about 44 cents per square foot, slightly under a year earlier.

There was no change from 1963 in the type of contract used by broiler contracting firms. Most Maine broiler contracting firms guaranteed a minimum of either  $1/2$  or  $3/4$  of a cent per square foot per week. In addition, growers received either one-half of the profits or a cost of production efficiency bonus. Twenty percent of the growers still received a straight payment of 1 cent per square foot per week. This arrangement was prevalent in this area in the early and mid-1950's. The per-bird returns under this type of contract have decreased slightly since then, because the growing time and floor space per bird have been reduced. Growers, however, have been increasing the number of lots produced per year. Some growers operated under a payment plan based on weight and feed conversion, seasonally adjusted. The grower was assured a minimum payment of about 2 cents per pound of broiler produced.

In 1964, these growers grossed \$236 per farm from the sale of hay and wood products and income from various Government programs. This income, however, comprised only about 3 percent of the total cash receipts on these farms.

In 1964, operating expenses per farm increased from \$3,930 to \$3,989. About two-thirds of gross

operating expenses are fixed costs and increase in fairly close relation to the size of the broiler house. Variable expenditures associated with the broiler enterprise also increased because of the larger capacity and a slight increase in number of lots produced. These growers have been decreasing expenditures associated with other farm enterprises as they are eliminating or decreasing such operations.

New construction in Maine for the past several years barely kept pace with abandonment, obsolescence, and fire losses. Construction costs per square foot remained about the same during this period. Standardization of construction meant building contractors could reduce some costs. There has also been a change to using aluminum siding and roofing. These factors offset higher costs from the installation of better ventilation and insulation systems.

There was a slight net gain in new building construction in 1964 over the previous year. New housing cost in 1964 averaged about \$1.20 per square foot, up slightly from 1963. This included a cement slab foundation, aluminum walls and roof, windows, plywood interior sheathing, complete insulation, and a fire-proof cement block furnace room. The farmers must have wiring and plumbing for heating systems and auxiliary power units installed under separate contracts. Nearly all new buildings have central heating systems. Regardless of the size of the broiler house, there is not much variation in the size of the heating unit. Thus, as square footage increases, there is a decrease in the per-foot cost of the unit. Fire insurance rates for central heating systems are about one-third lower than for houses heated by brooder

Table 1.- Organization, production, costs and returns,  
commercial broiler farms, Maine, 1963 and 1964

Item	Unit	AVERAGE 1957-59	1963	1964 <u>1</u> /
Land in farm.....	Acre	102	90	88
Cropland harvested.....	do.	3.6	2.5	2.5
Hay harvested.....	do.	3.6	2.5	2.5
Hay yield per harvested acre.....	Ton	1.20	1.20	1.10
Broilers started, per lot.....	Number	13,951	15,858	16,429
Broilers produced annually:				
Number.....	do.	54,790	64,655	67,900
Pounds.....	Pound	208,215	265,086	278,390
Tractors on farm.....	Number	.56	.51	.51
Total labor used.....	Hour	2,300	2,290	2,330
Operator and family.....	do.	1,910	1,920	1,960
Hired.....	do.	390	370	370
Total farm capital, Jan. 1.....	Dollar	23,970	31,420	33,160
Land and buildings.....	do.	17,690	22,770	24,340
Machinery and equipment.....	do.	6,280	8,650	8,820
Total cash receipts.....	do.	5,645	7,232	7,298
Broilers.....	do.	5,253	6,983	7,062
Crops.....	do.	110	76	73
Forest products.....	do.	98	94	94
Other, including Government payments.....	do.	184	79	69
Value of perquisites.....	do.	329	363	383
Gross farm income.....	do.	5,974	7,595	7,681



Table 1.- Organization, production, costs and returns,  
commercial broiler farms, Maine, 1963 and 1964--Continued

Item	Unit	AVERAGE 1957-59	1963	1964 <sup>1/</sup>
Total cash expenditures <sup>2/</sup> .....	Dollar	3,841	4,452	4,725
Farm buildings.....	do.	1,245	1,588	1,843
Machinery.....	do.	1,451	1,476	1,445
Hired labor.....	do.	407	435	429
Taxes.....	do.	314	445	477
Electricity and miscellaneous broiler expense.....	do.	358	414	433
Other.....	do.	66	94	98
Inventory adjustment, machinery and buildings.....	do.	723	522	736
Total operating expenses.....	do.	3,118	3,930	3,989
Net farm income.....	do.	2,856	3,665	3,692
Purchasing power in 1947-49 dollars.....	do.	2,433	3,004	3,002
Charge for capital at current interest rates.....	do.	1,321	1,807	1,907
Return per hour, operator and family labor.....	do.	.80	.97	.91
Charge for capital at 4.1 percent interest.....	do.	983	1,288	1,360
Return per hour, operator and family labor.....	do.	.98	1.24	1.19
INDEX NUMBERS (1957-59=100):				
Gross farm income.....	---	100	127	129
Net farm income.....	---	100	128	129
Net farm production.....	---	100	114	118
Broilers produced annually.....	---	100	127	134
Production per hour of man labor.....	---	100	115	116
Production per unit of input.....	---	100	104	103
Operating expense per unit of production.....	---	100	110	108
Total cost per unit of production.....	---	100	107	106
Power and machinery (quantity).....	---	100	118	117
Prices received for products sold.....	---	100	111	109
Prices paid, including wages to hired labor.....	---	100	109	106

<sup>1/</sup> Preliminary. <sup>2/</sup> Feed, chicks, medicines, fuel, litter, and miscellaneous items are supplied by the broiler contracting firms.

Note: Information presented here is on an owner-operator basis primarily for comparability between types of farms. Net farm income is the return to operator and unpaid members of the family for their labor and management on the farm and return to total capital. No allowance has been made for payment of rent, interest, or mortgage.

stoves on cement bases and about 60 percent lower than for those not on cement bases.

### Delmarva, Broiler

Net farm income on Delmarva specialized broiler farms averaged \$2,433 per farm in 1964 (table 2). This was \$192 more than for a year earlier and more than double the net income received in 1957-59. This new costs and returns series represents about one-third of the contract broiler growers in this area. These growers operate broiler enterprises only. Some of these growers had discontinued cash crop, truck, or livestock farming. They either sold or rented out their cropland. Such growers had also disposed of most equipment used in those operations. In other cases, the growers were rural residents with regular off-farm employment.

Several factors are considered by broiler contracting firms in determining contractual payment rates. In addition to growing efficiency, these considerations include the price of broilers, the cost of broiler mash, and the cost of broiler chicks. In 1964, the price received for broilers declined two-tenths of 1 cent per pound; the cost of broiler mash was up slightly. But prices paid for chicks declined slightly. The net effect of these changes might have resulted in a lower contractual payment in 1964. However, because of better housing (and contracts which rewarded growers for such improvements) and better growing management, the average payment was higher than in 1963.

Delmarva growers, both the specialized and broiler-crop producers, received a contractual payment averaging \$75 per 1,000 birds

started in 1964 compared with \$72 a year earlier. Contracting firms in this area pay their growers on the basis of broilers placed on the farm, not on birds produced. The return on the latter basis averaged about \$77 and \$75 per 1,000 in 1964 and 1963, respectively. These payments included any profit, electrical, house insulation, or other allowance given to the growers.

The production efficiency contract, first adopted in 1962-63, became more widespread in 1964. Growers with lower than average production costs (usually based on a 1- to 2-week period) receive a bonus depending on their relative standing with all growers for that firm. Accordingly, poorer growers are penalized down to the minimum guarantee. The market price tie-differential, a variation of this contract, provides an additional bonus for growers when the market price for a particular flock is high.

Other contracts in 1964 were flat fee payments, share the profit arrangements, and average live weight feed conversion payments. Under the flat fee arrangement, all growers receive the same amount per 1,000 birds regardless of production efficiency or market prices. The share the profit arrangement allows more risk but also a chance for higher profits. The grower, hatchery, and feed mill share any profits. However, there are no out-of-pocket losses to the grower. The weight-feed conversion payment pays the grower for his ability to convert feed into broiler meat.

In 1964, minimum payments ranged mostly from \$45 to \$70 per 1,000 birds started. However, even higher minimum payments were guaranteed to growers with multi-story or controlled environment



housing. The minimum also varied because of the amount of floor space allocated per bird. Firms offering lower minimum payments usually allocated less floor space per bird.

In most cases in 1964, firms requiring their growers to insulate and improve their buildings discontinued the insulation allowance. A few growers, however, received \$3 per 1,000 birds for 5 or 6 flocks. Most growers who insulated were growing birds under a production efficiency contract, which rewards the grower for the quality of his building and for his growing ability. Contract firms may also place more birds in the insulated buildings, thereby increasing the grower's gross return.

Gross operating expenses increased about 10 percent between 1963 and 1964. Quantities of items purchased increased because of a larger capacity and more lots produced. Expenditures for building modifications (for example, insulation and mechanical ventilation) increased over 1963. Insulating costs on existing structures averaged about 10 to 12 cents per square foot, about the same as a year earlier.

The rate of new housing construction was somewhat below 1963. However, the trend toward insulated and better constructed buildings has continued. Several firms are endorsing the construction of multi-story buildings, the so-called "Maine" house. Because of its central heating system, elevator, standby generator, and cement ground floors, the cost per square foot may run as much as 10 percent higher than conventional insulated buildings. These firms claim faster growth, a slight increase in feed efficiency, and substantial fuel savings in the winter compared with insulated conventional structures.

The growers also have advantages in lower land taxes and decreased per unit labor requirements.

Most broiler contracting firms now recommend the type and quality of construction for new buildings that they want their growers to build. However, the grower has considerable say in the type of equipment purchased. The size of house being built and existing capacity and alternative use of operator and family labor probably determine the purchase of any labor-saving equipment. About three-fourths of the new one-story houses built were insulated. Gas brooders were installed at about the rate of 3 to 1 over other types of heating. The cost of new one-story housing including equipment in 1964 ranged from about \$1.00 to \$1.25 per square foot. The most typical house fully equipped cost about \$1.15 per square foot, up about 5 cents from a year earlier.

### Delmarva, Broiler-Crop

In 1964, net farm incomes on typical contract broiler-crop farms averaged \$6,022 per farm (table 3). This record-high net farm income was \$68 above the 1963 level and \$1,691 above the 1957-59 average. In 1964, increased income from the broiler enterprise more than offset lower soybean yields and lower prices received for crops. There was an increase of about 4 percent in farm operating expenses over 1963.

These farmers had an average broiler capacity of 15,553 birds per lot. Broiler output in 1964 averaged 59,590 birds per farm, 3,310 above a year earlier.

Gross returns from broilers increased from \$4,199 per farm in 1963 to \$4,606 in 1964. This was



Table 2.- Organization, production, costs and returns,

Item	Unit	1957	1958
Land in farm.....	Acre	5	5
Birds started, per lot.....	Number	8,181	9,049
Broilers produced annually:			
Number.....	do.	27,489	30,247
Pounds.....	Pound	94,287	104,352
Tractors on farm.....	Number	.17	.20
Total labor used.....	Hour	1,160	1,240
Operator and family.....	do.	810	860
Hired.....	do.	350	380
Total farm capital, Jan. 1.....	Dollar	9,760	11,030
Land and buildings.....	do.	8,390	9,410
Machinery and equipment.....	do.	1,370	1,620
Total cash receipts.....	do.	1,775	2,027
Broilers.....	do.	1,775	2,027
Other, including Government payments.....	do.	---	---
Value of perquisites.....	do.	426	450
Gross farm income.....	do.	2,201	2,477

See footnote at end of table.

## commercial broiler farms, Delmarva, 1957-64

1959	:	1960	:	1961	:	1962	:	1963	:	1964 <u>1/</u>
:	:	:	:	:	:	:	:	:	:	:
5		5		5		5		5		5
10,100		10,617		11,113		11,535		13,156		13,721
33,936		37,074		40,617		42,742		49,893		53,237
118,776		137,174		150,283		162,420		189,593		202,301
.21		.21		.21		.21		.21		.21
1,350		1,440		1,560		1,610		1,830		1,840
960		1,080		1,250		1,370		1,630		1,600
390		360		310		240		200		240
12,550		14,020		15,190		16,050		18,050		20,090
10,650		11,880		12,960		13,570		15,680		17,320
1,900		2,140		2,230		2,480		2,370		2,770
2,687		2,905		2,758		3,393		3,723		4,116
2,687		2,905		2,758		3,393		3,723		4,116
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481		503		519		528		552		586
3,168		3,408		3,277		3,921		4,275		4,702

Table 2.- Organization, production, costs and returns,

Item	Unit	1957	1958
Total cash expenditures <u>2/</u> .....	Dollar	2,007	2,175
Electricity and miscellaneous broiler expense.....	do.	103	110
Machinery.....	do.	772	792
Farm buildings.....	do.	722	808
Hired labor.....	do.	332	373
Taxes.....	do.	44	54
Other.....	do.	34	38
Inventory adjustment, machinery and buildings.....	do.	-670	-707
Total operating expenses.....	do.	1,337	1,468
Net farm income.....	do.	864	1,009
Purchasing power in 1947-49 dollars.....	do.	745	855
Charge for capital at current interest rates.....	do.	488	662
Return per hour, operator and family labor.....	do.	.46	.40
Charge for capital at 4.1 percent interest.....	do.	400	452
Return per hour, operator and family labor.....	do.	.57	.65
INDEX NUMBERS (1957-59=100):			
Gross farm income.....	---	84	95
Net farm income.....	---	76	88
Net farm production.....	---	92	99
Broilers produced annually.....	---	89	99
Production per hour of man labor.....	---	99	100
Production per unit of input.....	---	98	100
Operating expense per unit of production.....	---	99	101
Total cost per unit of production.....	---	98	99
Power and machinery (quantity).....	---	90	100
Prices received for products sold.....	---	92	95
Prices paid, including wages to hired labor.....	---	97	99

1/ Preliminary.

2/ Feed, chicks, medicines, and related items are supplied by the integrators.

Note: Information is on an owner-operator basis primarily for comparability between types of farms. Net farm income is the return to operator and unpaid members of the family for their labor and management on the farm and return to total capital. No allowance has been made for payment of rent, interest, or mortgage.



## commercial broiler farms, Delmarva, 1957-64 --Continued

1959	:	1960	:	1961	:	1962	:	1963	:	1964 <u>1/</u>
2,277	:	2,148	:	2,055	:	2,252	:	3,964	:	3,038
121	:	127	:	141	:	149	:	176	:	188
820	:	797	:	810	:	881	:	1,101	:	932
823	:	738	:	668	:	836	:	2,321	:	1,485
407	:	367	:	311	:	253	:	214	:	254
64	:	74	:	78	:	82	:	94	:	115
42	:	45	:	47	:	51	:	58	:	64
-668	:	-467	:	-404	:	-551	:	-1,930	:	-769
1,609	:	1,681	:	1,651	:	1,701	:	2,034	:	2,269
1,559	:	1,727	:	1,626	:	2,220	:	2,241	:	2,433
1,321	:	1,451	:	1,366	:	1,835	:	1,837	:	1,978
690	:	841	:	911	:	963	:	1,083	:	1,205
.91	:	.82	:	.57	:	.92	:	.71	:	.77
515	:	575	:	623	:	658	:	740	:	824
1.09	:	1.07	:	.80	:	1.14	:	.92	:	1.01
121	:	130	:	125	:	150	:	163	:	180
136	:	151	:	142	:	194	:	196	:	213
109	:	116	:	126	:	132	:	151	:	160
112	:	130	:	142	:	154	:	179	:	191
101	:	101	:	101	:	102	:	103	:	108
102	:	104	:	108	:	108	:	109	:	111
100	:	98	:	89	:	88	:	91	:	97
103	:	103	:	100	:	103	:	106	:	107
110	:	118	:	122	:	134	:	136	:	141
113	:	113	:	98	:	114	:	107	:	111
104	:	106	:	108	:	110	:	114	:	118

Table 3.- Organization, production, costs and returns,  
commercial broiler-crop farms, Delmarva, 1963 and 1964

Item	Unit	AVERAGE 1957-59	1963	1964 <u>1/</u>
Land in farm.....	Acre	106	113	114
Cropland harvested.....	do.	79	93	94
Crops harvested:				
Corn.....	do.	37.8	43.5	43.1
Soybeans.....	do.	40.9	49.8	50.8
Crop yields per harvested acre:				
Corn.....	Bushel	48.8	51.8	56.2
Soybeans.....	do.	22.4	17.5	15.1
Broilers started, per lot.....	Number	10,401	15,109	15,553
Broilers produced annually:				
Number.....	do.	38,014	56,280	59,590
Pounds.....	Pound	131,574	213,864	226,442
Tractors on farm.....	Number	1.30	1.45	1.48
Total labor used.....	Hour	2,230	2,650	2,680
Operator and family.....	do.	2,010	2,330	2,370
Hired.....	do.	220	320	310
Total farm capital, Jan. 1.....	Dollar	30,910	46,860	51,320
Land and buildings.....	do.	23,720	37,340	40,900
Machinery and equipment.....	do.	7,130	9,520	10,420
Crops and livestock.....	do.	60	---	---
Total cash receipts.....	do.	7,068	9,642	9,836
Broilers.....	do.	2,680	4,199	4,607
Crops.....	do.	4,254	5,372	5,143
Livestock and livestock products.....	do.	91	---	---
Other, including Government pyaments.....	do.	43	71	86
Value of perquisites.....	do.	501	596	631
Change in inventory of crops and livestock.....	do.	-12	---	---
Gross farm income.....	do.	7,557	10,238	10,467

Table 3.- Organization, production, costs and returns, commercial broiler-crop farms,  
Delmarva, 1963 and 1964--Continued

Item	Unit	AVERAGE 1957-59	1963	1964 <sup>1/</sup>
Total cash expenditures <sup>2/</sup> .....	Dollar	3,623	6,966	5,095
Feed purchased and livestock expense.....	do.	53	44	46
Fertilizer and lime.....	do.	553	585	597
Other crop expense.....	do.	256	314	316
Machinery.....	do.	1,619	2,518	2,025
Farm buildings and fences.....	do.	638	2,774	1,378
Hired labor.....	do.	221	343	326
Taxes.....	do.	129	171	177
Other.....	do.	154	217	230
Inventory adjustment, machinery and buildings.....	do.	398	2,682	650
Total operating expenses.....	do.	3,226	4,284	4,445
Net farm income.....	do.	4,331	5,954	6,022
Purchasing power in 1947-49 dollars.....	do.	3,684	4,880	4,896
Charge for capital at current interest rates.....	do.	1,742	2,859	3,126
Return per hour, operator and family labor.....	do.	1.29	1.33	1.22
Charge for capital at 4.1 percent interest <sup>3/</sup> .....	do.	1,307	1,968	2,151
Return per hour, operator and family labor.....	do.	1.50	1.71	1.63
INDEX NUMBERS (1957-59=100):				
Gross farm income.....	---	100	135	138
Net farm income.....	---	100	137	139
Net farm production.....	---	100	122	125
Broilers produced annually.....	---	100	163	172
Production per hour of man labor.....	---	100	103	104
Production per unit of input.....	---	100	103	103
Operating expense per unit of production.....	---	100	108	110
Total cost per unit of production.....	---	100	109	112
Power and machinery (quantity).....	---	100	127	129
Prices received for products sold.....	---	100	111	110
Prices paid, including wages to hired labor.....	---	100	110	109

<sup>1/</sup> Preliminary. <sup>2/</sup> Feed, chicks, medicines, fuel, litter, and miscellaneous items are supplied by the broiler contracting firms. <sup>3/</sup> Invested capital at 4.1 percent and production credit at current short-term interest rates charged by production credit associations on loans outstanding.

Note: Information presented here is on an owner-operator basis primarily for comparability between types of farms. Net farm income is the return to operator and unpaid members of the family for their labor and management on the farm and return to total capital. No allowance has been made for payment of rent, interest, or mortgage.



because of increased broiler output and a higher contractual payment. Contract payments averaged \$77 per 1,000 birds produced in 1964 compared with \$75 in 1963. These growers had the same contracts as did the specialized producers.

Gross receipts from the sale of corn and soybeans in 1964 averaged \$5,143 per farm, \$229 less than a year earlier. Decreased soybean yields and lower prices received for both crops offset increased corn yields. Total cropland harvested per farm increased only slightly, with soybean acreage up slightly and corn acreage down.

Prices received in 1964 on these farms averaged \$1.30 a bushel for corn and \$2.60 a bushel for soybeans. These prices were 4 cents and 10 cents a bushel, respectively, below the average of a year earlier. However, except for 1963, these prices were the best since 1958 for corn and 1954 for soybeans.

Drought continued in this area in 1964 for the third straight year. Most of the dry weather occurred in August after the corn crop had developed. Corn yields averaged 56 bushels per acre compared with 52 bushels a year earlier. However, soybean yields declined for the third consecutive year, averaging about 2 bushels less than in 1963 and the lowest since the early 1950's. Soybean yields varied widely from area to area in 1964, depending on the occurrence of local showers.

Total farm operating expenses averaged \$4,445 per farm, slightly higher than in 1963. More broiler lots produced and a larger capacity per lot were largely responsible for the higher expenditures. About two-thirds of the expenses associated with the broiler enterprise are fixed costs. Growers pay for electricity, some disinfectants and minor

supplies, building and equipment repairs, hired labor and custom work hired. As is true for all broiler areas, most variable expenses, including building and equipment repairs, are incurred during cleanout. This is when growers must move equipment and open doors and windows to remove birds and litter. Any damage to equipment usually necessitates immediate repair or replacement.

## Georgia

In 1964, net farm income for typical contract broiler growers in Georgia averaged \$718 per farm, \$85 less than in 1963 and about one-fourth below the 1957-59 average (table 4). Lower livestock receipts and higher operating expenses offset increased broiler output.

In 1964, these growers had an average capacity of 7,335 broilers per lot. Annual farm production averaged 28,314 birds per farm in 1964, up 1,348 from a year earlier. Increased production resulted from a larger average capacity and more lots produced per farm.

These farms also have a small livestock and hog enterprise and produce several acres of corn and hay, most of which is fed to the livestock.

Contractual income from broilers amounted to \$1,727 per farm in 1964, up \$55 from a year earlier. The additional production was enough to offset a reduced contractual payment. Broiler income has constituted about four-fifths of cash receipts on these farms in recent years. Thus, any change in contractual returns strongly influences gross income.

The contractual payment in this area averaged 1.79 cents per pound

of broiler marketed compared with 1.88 cents in 1963. This amounted to about \$61 per 1,000 birds marketed. However, these growers must purchase broiler fuel and litter. These items averaged about \$11 per 1,000 birds in 1964. Thus, Georgia growers received about \$50 per 1,000 birds marketed for supplying the same inputs as furnished by growers in other areas.

Many broiler contracts in Georgia in 1964 were offering a base payment of  $1\frac{1}{2}$  to 2 cents per pound of broiler marketed. However, when the farm price of broilers was 13 cents per pound or less, this base was decreased  $\frac{1}{2}$  cent per pound in north Georgia and sometimes more in south Georgia. Under this contract, growers received a bonus for feed conversion efficiency. Other firms offered the bodyweight-feed conversion payment plan with the same base payment. The grower under this plan was paid for his ability to convert feed into broiler meat. The payment differential is based on the point spread (bodyweight minus the feed conversion ratio). Growers were penalized for a point spread of under 100. They received the base payment for a spread of between 100 and 120 and a bonus for a spread of over 120.

All contracts charged condemnation losses to the grower. The liveweight equivalent of post and antimortem condemnation losses was subtracted from the liveweight production of that particular flock in calculating the gross contractual payment.

Several broiler contracting firms gave some allowance on fuel for flocks started during the colder weather. Some firms encouraged growers to install insulation when constructing new buildings, but

offered no insulation allowance. But such growers had preference over other growers in getting new flocks. They were also assured of chicks when the supply was scarce. A grower with insulated houses could produce about five flocks per year compared with an average of about four for all growers in the area.

Cash receipts from the marketings of cattle, hogs, corn, and some forest products declined in 1964. Lower cattle and hog prices were largely responsible. These farmers are continuing to decrease or eliminate the hog enterprise.

Gross operating expenses in 1964 averaged \$1,890 per farm, up \$52 from a year earlier. Variable expenditures, especially those associated with the cleanout operation, were slightly above last year. These included hired labor, custom and machine work hired, and litter purchases and removal. The general practice on litter removal is to cleanout after every other flock. However, broiler contracting firms require the removal of any wet and caked litter after every flock.

About 43 percent of the expenses associated with the broiler enterprise on these farms are fixed costs compared with about two-thirds for the contract broiler farm in Maine and Delmarva. In general, Georgia growers have smaller units, less laborsaving equipment, and more cheaply constructed buildings than growers in these other areas. Georgia growers also must pay for fuel and litter, which constitute about one-fourth of the gross expenses associated with the broiler enterprise in this area. Growers with marginal housing often will not start broilers during colder weather, because the contractual payment sometimes is not enough to cover high fuel costs and other expenses.



Table 4.- Organization, production, costs and returns,  
commercial broiler farms, Georgia, 1963 and 1964

Item	Unit	AVERAGE 1957-59	1963	1964 <u>1/</u>
Land in farm.....	Acre	64	65	65
Cropland harvested.....	do.	6.29	3.85	3.50
Crops harvested:				
Corn.....	do.	4.34	2.80	2.60
Hay.....	do.	1.95	1.05	.90
Crop yields per harvested acre:				
Corn.....	Bushel	28.1	43.0	42.0
Hay.....	Ton	1.17	1.58	1.65
Livestock on farm, Jan. 1:				
All cattle.....	Number	6.06	6.40	6.72
Hogs.....	do.	2.60	.80	.70
Broilers started, per lot.....	do.	6,317	7,203	7,335
Broilers produced annually:				
Number.....	do.	22,083	26,966	28,314
Pounds.....	Pound	70,665	88,988	96,268
Tractors on farm.....	Number	.60	.64	.64
Total labor used.....	Hour	1,690	1,580	1,560
Operator and family.....	do.	1,580	1,440	1,430
Hired.....	do.	110	140	130
Total farm capital, Jan. 1.....	Dollar	12,610	16,050	17,580
Land and buildings.....	do.	8,320	11,020	12,610
Machinery and equipment.....	do.	3,540	4,130	4,080
Crops and livestock.....	do.	750	900	890
Total cash receipts.....	do.	2,012	2,163	2,122
Broilers.....	do.	1,590	1,672	1,727
Crops.....	do.	22	75	78
Livestock and livestock products.....	do.	239	179	140
Other, including Government payments.....	do.	161	237	177
Value of perquisites.....	do.	465	454	493
Change in inventory of crops and livestock.....	do.	13	24	-7
Gross farm income.....	do.	2,490	2,641	2,608



Table 4.- Organization, production, costs and returns, commercial broiler farms, Georgia, 1963 and 1964--Continued

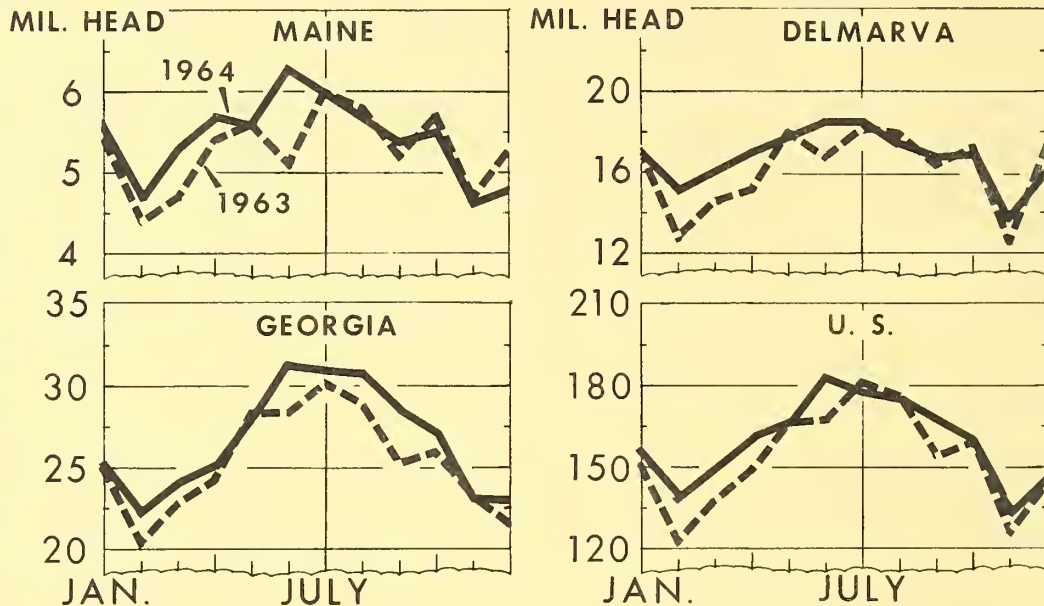
Item	Unit	AVERAGE 1957-59	1963	1964 <u>1/</u>
Total cash expenditures <u>2/</u> .....	Dollar	1,853	1,826	1,849
Feed purchased and livestock expense.....	do.	336	395	397
Fertilizer and lime.....	do.	42	30	29
Other crop expense.....	do.	4	4	4
Machinery.....	do.	950	898	903
Farm buildings and fences.....	do.	373	277	280
Hired labor.....	do.	64	99	95
Taxes.....	do.	38	58	73
Other.....	do.	46	65	68
Inventory adjustment, machinery and buildings.....	do.	349	-12	-41
Total operating expenses.....	do.	1,505	1,838	1,890
Net farm income.....	do.	985	803	718
Purchasing power in 1947-49 dollars.....	do.	840	658	584
Charge for capital at current interest rates.....	do.	695	963	1,055
Return per hour, operator and family labor.....	do.	.18	-.11	-.24
Charge for capital at 4.1 percent interest.....	do.	517	658	721
Return per hour, operator and family labor.....	do.	.30	.10	<u>3/</u>
INDEX NUMBERS (1957-59=100):				
Gross farm income.....	---	100	106	105
Net farm income.....	---	100	82	73
Net farm production.....	---	100	112	114
Broilers produced annually.....	---	100	126	136
Production per hour of man labor.....	---	100	120	123
Production per unit of input.....	---	100	107	107
Operating expense per unit of production.....	---	100	109	111
Total cost per unit of production.....	---	100	106	110
Power and machinery (quantity).....	---	100	100	97
Prices received for products sold.....	---	100	88	86
Prices paid, including wages to hired labor.....	---	100	108	110

1/ Preliminary. 2/ Feed, chicks, medicines, and miscellaneous items are supplied by the broiler contracting firms. 3/ Less than .01.

Note: Information presented here is on an owner-operator basis primarily for comparability between types of farms. Net farm income is the return to operator and unpaid members of the family for their labor and management on the farm and return to total capital. No allowance has been made for payment of rent, interest, or mortgage.

Maine, Delmarva, Georgia and U. S.

## YOUNG CHICKENS SLAUGHTERED



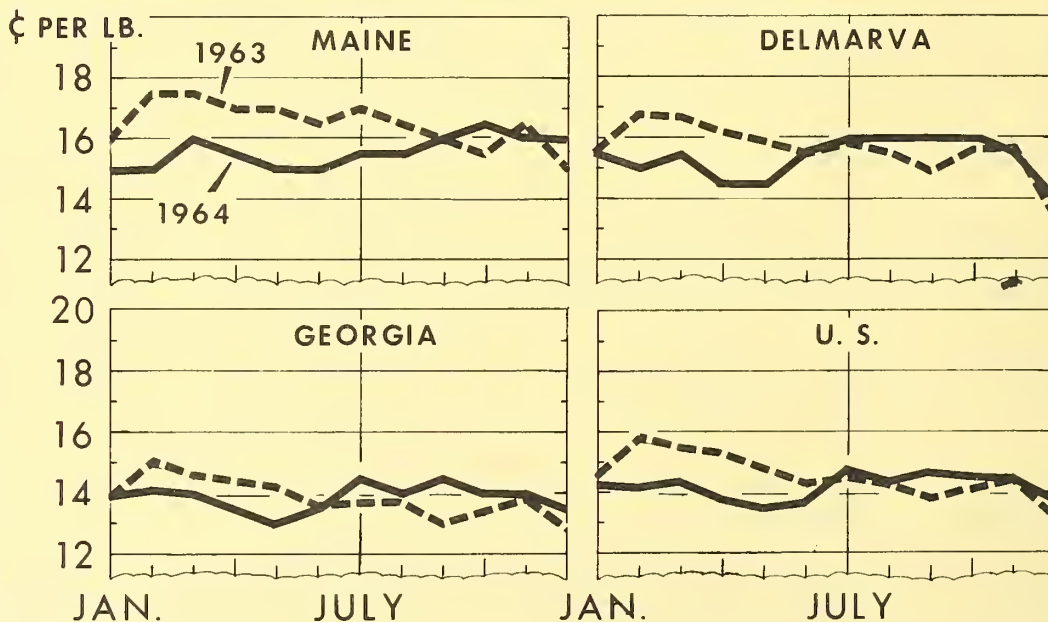
UNDER FEDERAL INSPECTION.

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## MONTHLY PRICES RECEIVED FOR BROILERS

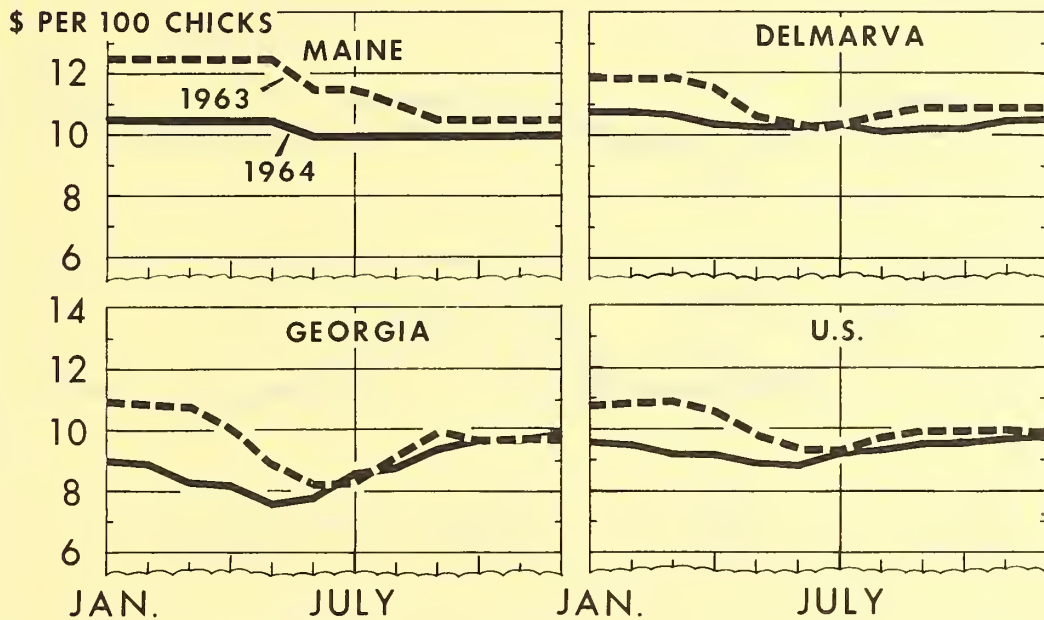


U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 3620-65 (4) ECONOMIC RESEARCH SERVICE

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## PRICES PAID HATCHERIES FOR BROILER CHICKS

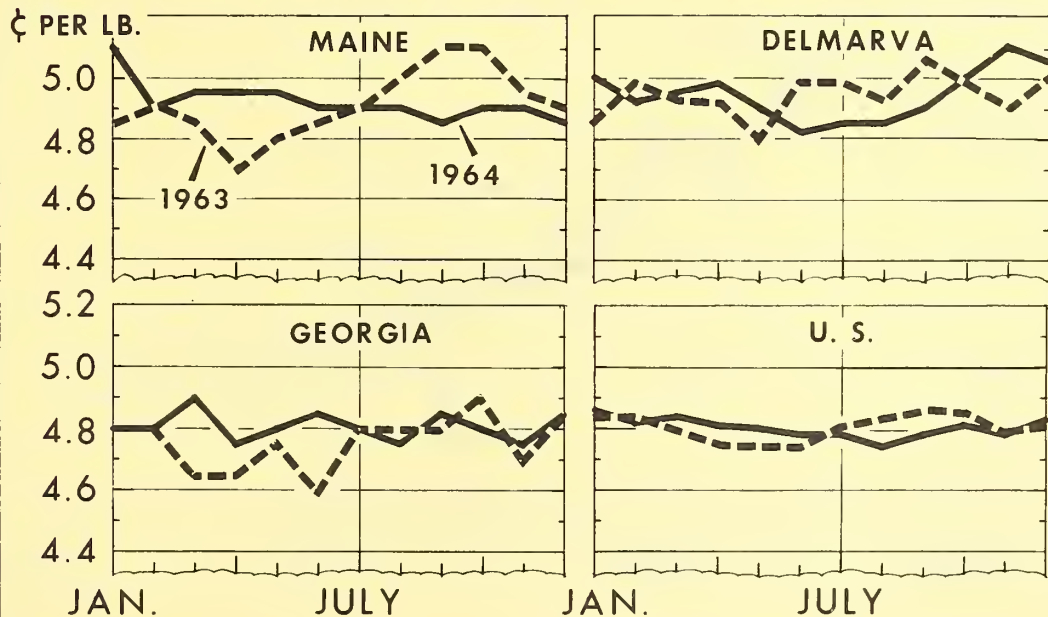


U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 3621-65 (4) ECONOMIC RESEARCH SERVICE

*Maine, Delmarva, Georgia, and U. S.*

## PRICES PAID FOR BROILER MASH

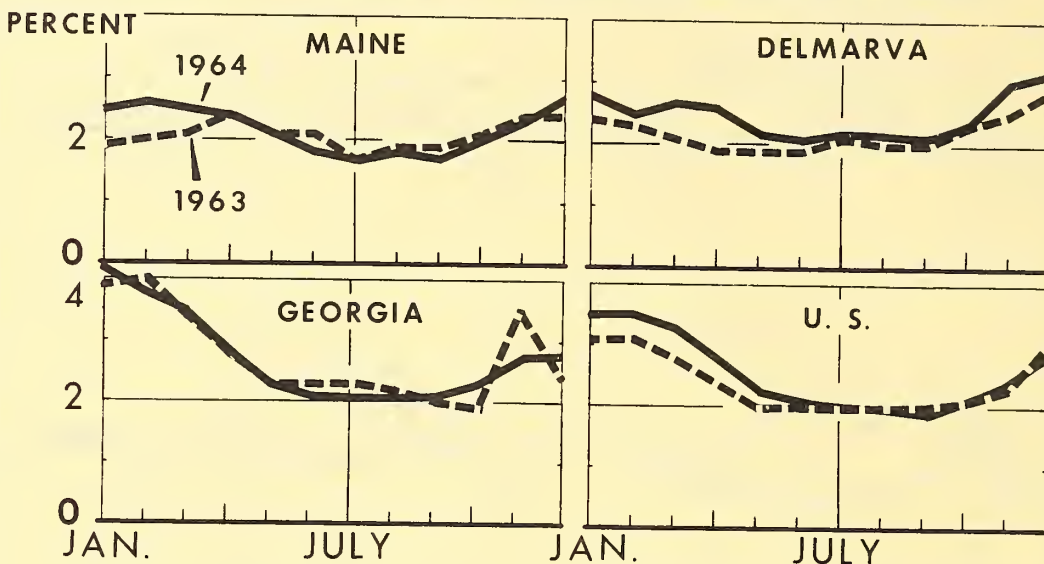


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## POST-MORTEM CONDEMNATION\*



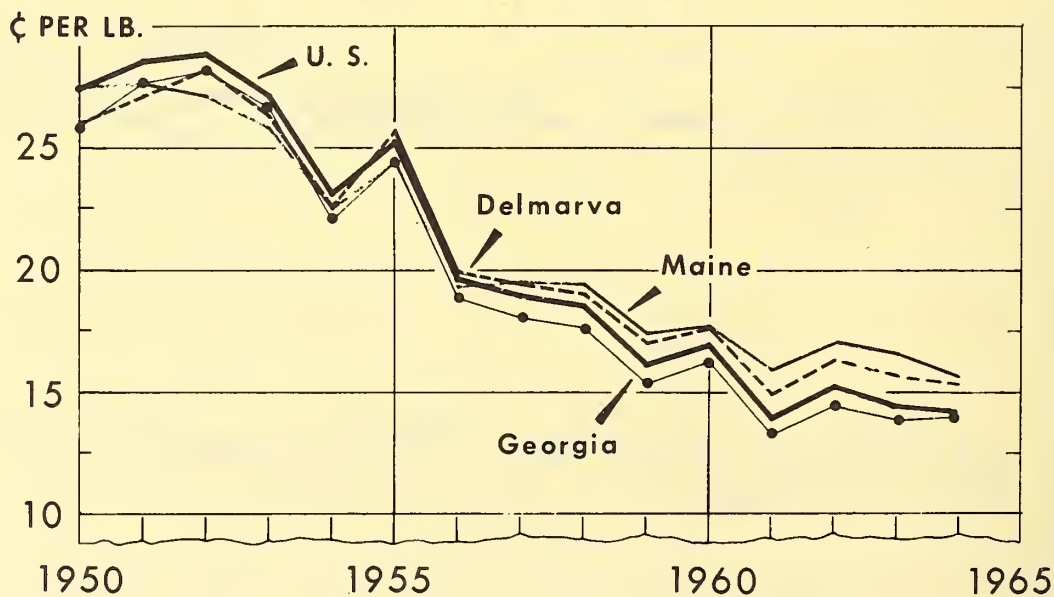
\* POUNDS OF YOUNG CHICKENS CONDEMNED AS PERCENT OF N.Y. DRESSED WEIGHT OF QUANTITY INSPECTED.

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 3617-65 (4) ECONOMIC RESEARCH SERVICE

Maine, Delmarva, Georgia, and U. S.

## FARM PRICES RECEIVED FOR BROILERS



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NEG. ERS 2330-65 (3) ECONOMIC RESEARCH SERVICE





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WASHINGTON, D.C. 20250

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